

**TOWNSHIP OF SEBEWAING  
HURON COUNTY, MICHIGAN  
SEBEWAING, MICHIGAN**

**FINANCIAL REPORT  
MARCH 31, 2011**

# **TOWNSHIP OF SEBEWAING**

## **TABLE OF CONTENTS**

	<b><u>PAGE NUMBER</u></b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	<b>i</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>ii - iii</b>
<b>BASIC FINANCIAL STATEMENTS</b>	<b>1</b>
Government-Wide Financial Statements:	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements:	
Balance Sheet – Governmental Funds	4
Reconciliation of Governmental Fund Balances to Governmental Activities Net Assets	5
Statement of Revenue, Expenditures and Change in Fund Balances – Governmental Funds	6 - 7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Notes to the Financial Statements	9 - 18
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>19</b>
Statement of Revenue, Expenditures and Change in Fund Balance – Budget and Actual – General Fund	20 - 22
Statement of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – Emergency Services Fund	23 - 24
Statement of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – Library Fund	25
Statement of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – Fire Equipment Sinking Fund	26
Statement of Revenue, Expenditures and Change in Fund Balance - Budget and Actual – Road Fund	27

## INDEPENDENT AUDITOR'S REPORT

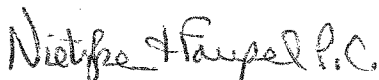
Honorable Township Board Members  
Township of Sebewaing  
Sebewaing, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of and for the year ended March 31, 2011, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Sebewaing, Huron County, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sebewaing, Huron County, Michigan, as of March 31, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages ii and iii and budgetary comparison information on pages 19 to 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any other assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



NIETZKE & FAUPEL, P.C.  
PIGEON, MICHIGAN

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of Sebewaing Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended March 31, 2011. Please read it in conjunction with the Township's financial statements.

### **Financial Highlights**

The following points represent the most significant financial highlights for the year ended March 31, 2011. These points are discussed in further detail in this discussion and analysis.

- The fund balance in the general fund decreased to \$511,201 from \$531,776 during the past year. This is a decrease of \$20,575.
- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,950,681. (See Statement of Net Assets Page 2)

### **Using This Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds.

### **The Township as a Whole**

The following table shows a condensed view of the net assets as of March 31:

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Current assets	\$ 1,288,541	\$ 1,314,347
Noncurrent assets	<u>715,262</u>	<u>768,535</u>
Total assets	<u>\$ 2,003,803</u>	<u>\$ 2,082,882</u>
Current liabilities	\$ 53,122	\$ 33,668
Total liabilities	<u>\$ 53,122</u>	<u>\$ 33,668</u>
Net assets:		
Invested in capital assets	\$ 645,767	\$ 699,040
Unrestricted	<u>1,304,914</u>	<u>1,350,175</u>
Total net assets	<u>\$ 1,950,681</u>	<u>\$ 2,049,215</u>

Unrestricted net assets for governmental activities, the part of net assets that can be used to finance day-to-day operations, ended the fiscal year with a balance of \$1,304,914. This is approximately 67% of the net assets for governmental activities.

The following table shows the changes of the net assets during the years ended March 31:

	Governmental Activities	
	<u>2011</u>	<u>2010</u>
Revenue:		
Program revenues:		
Charges for services	\$ 120,952	\$ 120,175
Operating grants & contributions	8,880	9,152
Capital grants & contributions	5,813	6,464
General revenues:		
Property taxes	485,475	506,066
State shared revenues	63,263	64,570
Unrestricted investment earnings	1,854	4,286
Miscellaneous	72,420	59,256
Total revenues	<u>758,655</u>	<u>769,969</u>
Expenses:		
General government	197,033	139,977
Public safety	234,963	239,158
Highways & public improvements	329,860	158,296
Library	95,334	106,978
Total expenses	<u>857,190</u>	<u>644,409</u>
Change in net assets	(98,535)	125,560
Net assets - Beginning	<u>2,049,215</u>	<u>1,923,655</u>
Net assets - Ending	<u>\$ 1,950,681</u>	<u>\$ 2,049,215</u>

Overall revenue decreased \$11,314 primarily due to a decrease in property taxes and an increase in miscellaneous revenue. Expenditures increased \$212,781 primarily due to road projects completed during the fiscal year and contributions to another governmental unit.

### **Capital Assets**

As of March 31, 2011, Sebewaing Township had a total of \$645,767 (net of depreciation) invested in capital assets including land, building, and equipment. Capital asset acquisitions totaled \$34,634 and dispositions totaled \$20,624.

### **Economic Factors and Budget Highlights**

The Township's overall expenditures in the General Fund were less than the budget by \$44,061. (See Schedule of Revenue, Expenditures and Change in Fund Balance page 22)

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. Questions about this report or requests for additional information should be addressed to Willet Osechger, Supervisor, or Kurt Bach, Township Clerk, P.O. Box 687, Sebewaing, MI 48759.

## **BASIC FINANCIAL STATEMENTS**

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**STATEMENT OF NET ASSETS**

**MARCH 31, 2011**

	<b><u>GOVERNMENTAL ACTIVITIES</u></b>
<b><u>ASSETS</u></b>	
Cash and deposits	\$ 709,769
Investments	504,036
Receivables:	
Accounts receivable	26,694
Taxes receivable	27,583
Prepaid expenses	20,458
Investment in Sebewaing Harbor Commission	69,495
Capital assets, not being depreciated	25,984
Capital assets, net of accumulated depreciation	619,783
<b>TOTAL ASSETS</b>	<b><u>2,003,803</u></b>
<b><u>LIABILITIES</u></b>	
Bank overdraft	39,793
Accounts payable	13,329
<b>TOTAL LIABILITIES</b>	<b><u>53,122</u></b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	645,767
Unrestricted	1,304,914
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,950,681</u></b>

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2011**

<b>GENERAL REVENUE:</b>	
Property taxes	485,475
State shared revenues	63,263
Unrestricted investment earnings	1,854
Miscellaneous	72,420
<b>TOTAL GENERAL REVENUE</b>	<b>623,011</b>
<b>CHANGE IN NET ASSETS</b>	
	(98,535)
<b>NET ASSETS - BEGINNING OF THE YEAR</b>	<b>2,049,215</b>
<b>NET ASSETS - END OF THE YEAR</b>	<b>\$ 1,950,681</b>



**TOWNSHIP OF SEBEWAING, MICHIGAN**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MARCH 31, 2011**

	<u>GENERAL</u>	<u>EMERGENCY SERVICES</u>	<u>LIBRARY</u>	<u>FIRE EQUIPMENT SINKING</u>	<u>ROADS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b><u>ASSETS</u></b>						
Cash and deposits	\$ -	\$ 132,441	\$ 98,293	\$ 237,088	\$ 241,946	\$ 709,769
Investments	504,036	-	-	-	-	504,036
Receivables:						
Accounts receivable	5,115	19,888	1,691	-	-	26,694
Taxes receivable	5,899	4,938	-	1,222	15,523	27,583
Prepaid expenses	7,754	10,702	2,002	-	-	20,458
<b>TOTAL ASSETS</b>	<u>\$ 522,806</u>	<u>\$ 167,968</u>	<u>\$ 101,987</u>	<u>\$ 238,311</u>	<u>\$ 257,469</u>	<u>\$ 1,288,541</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
<b><u>LIABILITIES:</u></b>						
Bank overdraft	\$ 5,549	\$ -	\$ 34,244	\$ -	\$ -	\$ 39,793
Accounts payable	6,056	4,695	2,578	-	-	13,329
<b>TOTAL LIABILITIES</b>	<u>11,605</u>	<u>4,695</u>	<u>36,822</u>	<u>-</u>	<u>-</u>	<u>53,122</u>
<b><u>FUND BALANCES:</u></b>						
Unreserved	511,201	163,273	65,165	238,311	257,469	1,235,419
<b>TOTAL FUND BALANCES</b>	<u>511,201</u>	<u>163,273</u>	<u>65,165</u>	<u>238,311</u>	<u>257,469</u>	<u>1,235,419</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 522,806</u>	<u>\$ 167,968</u>	<u>\$ 101,987</u>	<u>\$ 238,311</u>	<u>\$ 257,469</u>	<u>\$ 1,288,541</u>

**TOWNSHIP OF SEBEWAING, MICHIGAN**  
**RECONCILIATION OF GOVERNMENTAL FUND BALANCES**  
**TO GOVERNMENTAL ACTIVITIES NET ASSETS**  
**MARCH 31, 2011**

<b>Total governmental fund balances</b>	<b>\$ 1,235,419</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$1,861,319 less the accumulated depreciation of \$1,215,552.	645,767
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Investment in Sebewaing Harbor Commission is not included in the governmental funds.	69,495
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<b>Net assets - governmental activities</b>	<b><u>\$ 1,950,681</u></b>
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**TOWNSHIP OF SEBEWAING, MICHIGAN**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>GENERAL</u>	<u>EMERGENCY SERVICES</u>	<u>LIBRARY</u>	<u>FIRE EQUIPMENT SINKING</u>	<u>ROAD</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUE:</b>						
Taxes	\$ 103,117	\$ 80,773	\$ 39,606	\$ 19,999	\$ 241,979	\$ 485,475
Intergovernmental	63,263	3,600	2,213	-	-	69,076
Charges for services	-	120,952	-	-	-	120,952
Fines and other	-	-	13,931	-	-	13,931
Interest and rentals	4,950	211	27,655	370	693	33,880
Miscellaneous	15,350	-	19,967	-	-	35,317
<b>TOTAL REVENUE</b>	<u>186,680</u>	<u>205,536</u>	<u>103,372</u>	<u>20,369</u>	<u>242,673</u>	<u>758,630</u>
<b>EXPENDITURES:</b>						
Township board	4,429	-	-	-	-	4,429
Supervisor	12,096	-	-	-	-	12,096
Elections	6,221	-	-	-	-	6,221
Clerk	54,143	-	-	-	-	54,143
Board of review and appeals	1,037	-	-	-	-	1,037
Treasurer	12,619	-	-	-	-	12,619
Assessor	10,893	-	-	-	-	10,893
Buildings and grounds	10,145	8,619	-	-	-	18,764
Drains at large	11,443	-	-	-	-	11,443
Planning and zoning	1,342	-	-	-	-	1,342
Airport	24,406	-	-	-	-	24,406
Emergency services	-	161,299	-	-	-	161,299
Library	-	-	95,189	-	-	95,189
Fire equipment sinking	-	-	-	300	-	300
Roads	-	-	-	-	322,260	322,260
Capital outlay	50,880	7,164	1,831	-	-	59,876
<b>TOTAL EXPENDITURES</b>	<u>199,655</u>	<u>177,082</u>	<u>97,020</u>	<u>300</u>	<u>322,260</u>	<u>796,318</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(12,975)</u>	<u>28,454</u>	<u>6,353</u>	<u>20,069</u>	<u>(79,588)</u>	<u>(37,687)</u>

(Continued)

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>GENERAL</u>	<u>EMERGENCY SERVICES</u>	<u>LIBRARY</u>	<u>FIRE EQUIPMENT SINKING</u>	<u>ROAD</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Contributions	-	25	-	-	-	25
Contributions to other governments	(7,600)	-	-	-	-	(7,600)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(7,600)</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,575)</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(20,575)</u>	<u>28,479</u>	<u>6,353</u>	<u>20,069</u>	<u>(79,588)</u>	<u>(45,262)</u>
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	531,776	134,794	58,812	218,242	337,057	1,280,681
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$ 511,201</u>	<u>\$ 163,273</u>	<u>\$ 65,165</u>	<u>\$ 238,311</u>	<u>\$ 257,469</u>	<u>\$ 1,235,419</u>

The accompanying notes are an integral part of the financial statements.

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2011**

Net change in fund balances - governmental funds \$ (45,262)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlay as expenditures. However, in the  
statement of activities, assets with an initial, individual cost of more than  
\$500 are capitalized and the cost is allocated over their estimated useful  
lives and reported as depreciation expense. The amount by which  
capital outlays differs from depreciation in the current period is as follows:

Capital outlays	34,634	
Depreciation expense	<u>(87,907)</u>	(53,273)

Change in net assets - governmental activities \$ (98,535)

## **TOWNSHIP OF SEBEWAING**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

##### **Description of Township Operations:**

The Township is located in Huron County, Michigan, and has approximately 2,750 residents. It is governed by a five person elected board and provides the following services to its residents: fire protection, ambulance service, highways and streets, library and general administrative services.

The Township's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The accounting policies of the Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used in the Township are discussed below.

##### **Reporting Entity:**

In evaluating how to define the Township of Sebewaing for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic—but not the only—criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Township of Sebewaing is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the Township of Sebewaing reporting entity.

##### **Excluded from the reporting entity:**

**Unionville Sebewaing School District** – This potential component unit has a separate elected board and provides educational services to residents of the local area. The School District is excluded from the reporting entity because the Township of Sebewaing does not have the ability to exercise influence or control over its daily operations, approve budgets or provide funding.

**Sebewaing Harbor Commission** – The Township of Sebewaing along with the Village of Sebewaing created this separate legal entity for the purpose of planning, acquiring, constructing and operating a community harbor to provide recreational services to the residents of the Township of Sebewaing and the Village of Sebewaing along with the general public. Each governing body appointed three members to create a six member Board of Commissioners. Based on the criteria for determining which component units to include in the reporting entity, the Township of Sebewaing management has excluded the Harbor Commission from the reporting entity of the Township of Sebewaing. However, because of the financial interest and responsibility the Township of Sebewaing and the Village of Sebewaing equally share for the Harbor Commission, the Harbor Commission is being treated as a joint venture between the Township of

(Continued)

## **TOWNSHIP OF SEBEWAING**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

Sebewaing and the Village of Sebewaing. The investment in the joint venture has been included in the General Fund as a capital outlay and further disclosures related to the investment in the joint venture are included in Note 5.

#### **Government-Wide and Fund Financial Statements:**

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Township's general administrative services, public safety, highways and public improvements, and library, are classified as governmental activities. The Township has no business type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Township are reported as a reduction of the related liability, rather than as an expenditure in the government-wide financial statements. The Township of Sebewaing currently has no long-term debt.

## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)**

##### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

State revenue sharing and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the Township.

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenditures or expenses as appropriate.

The Township reports the following major governmental funds:

**General Fund** – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – Special Revenue Funds account for resources legally restricted to expenditures for specified current operating purposes and for the enforcement of special services and activities. Accounting and financial reporting for General and Special Revenue Funds are identical. The Township accounts for the following special revenue funds.

The Emergency Services Fund is a special revenue fund used to account for revenue from charges for service and current property taxes allocated to provide ambulance and fire fighting services to Township residents. The Library Fund is a special revenue fund used to account for revenue from state penal fines and current property taxes allocated to the operation of the Township library. The Fire Equipment Sinking Fund is a special revenue fund used to account for current property taxes allocated to purchase fire and ambulance equipment. The Road Fund is a special revenue fund used to account for revenue from current property taxes allocated to provide for maintenance and construction of Township roads.



## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

##### Measurement Focus, Basis of Accounting, and Financial Statement Presentation: (Continued)

The Township reports no nonmajor fund types:

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

##### Receivables and Payables:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or ("advances to/from other funds). All other outstanding balances between funds are reported as "due to/from other funds."

Other receivables at March 31, 2011 consist of property taxes, and billings for ambulance and fire services. Taxes are deemed collectible in full. An allowance for uncollectible accounts in the amount of \$37,158 has been reported for ambulance and fire service receivables.

##### Prepaid Items:

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

##### Capital Assets:

Capital assets, which include property, plant, and equipment are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset lives is not capitalized.

Property, plant, and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	7 to 40
Machinery and equipment	3 to 7
Books, videos, and DVD's	5

## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

##### Capital Assets: (Continued)

Depreciation of capital assets used by governmental funds is charged as an expense against their operations on the Statement of Activities. Accumulated depreciation is reported on the governmental fund Statement of Net Assets. Depreciation expense for the year ended March 31, 2011 was \$87,907. Capital asset acquisitions totaled \$34,634 and dispositions totaled \$20,624 in the governmental funds for the year ended March 31, 2011. A summary of the Governmental Fund capital assets at March 31, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 25,984	\$ 25,984
Buildings	766,291	766,291
Equipment	1,069,044	1,055,034
Accumulated depreciation	<u>(1,215,552)</u>	<u>(1,148,269)</u>
Net Governmental Fund Capital Assets	<u>\$ 645,767</u>	<u>\$ 699,040</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 19,140
Public safety	59,029
Library	<u>9,738</u>
Total depreciation expense - governmental activities	<u>\$ 87,907</u>

##### Property Taxes:

Properties are assessed as of December 31, and the related property taxes become a lien on December 1, of the following year. These taxes are due on February 14, with the final collection date of February 28, before they are added to the county tax rolls.

The delinquent real property taxes of the Township are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Township for these property taxes. These taxes have been recorded as revenue for the current year.

##### Use of Estimates:

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures/expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

#### **NOTE 2 – BUDGET COMPLIANCE:**

The Township of Sebewaing Board follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with the Township Act, prior to March 1, the Township Clerk submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the two preceding years. The Township Act requires that the budget be submitted in summary form. In addition, more detailed line item budgets are included for administrative control. The level of control for the detailed budgets is at the department head/function level.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to March 31, the budget is legally enacted through passage of a budget resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Appropriations lapse at the end of each fiscal year.
7. The Township Board may authorize supplemental appropriations during the year. The budget was amended during the fiscal year.

P. A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township of Sebewaing expenditures and budgeted expenditures for the budgetary funds have been shown on a line item basis. The approved budgets of the Township of Sebewaing for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2011, the following expenditures were in excess of the amount appropriated for the year:

	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Unfavorable Variance</u></b>
General Fund:			
Buildings and grounds	\$ 8,614	\$ 10,145	\$ 1,531
Drains at large	2,000	11,443	9,443
Planning and zoning	1,000	1,342	342
Contribution to other government unit	-	7,600	7,600
Library Fund	93,450	97,020	3,570
Road Fund	265,000	322,260	57,260

## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

#### **NOTE 3 – DETAIL NOTES ON ALL FUNDS:**

A. The carrying amount of cash and deposits with financial institutions of the Township of Sebewaing amounted to \$669,976 at March 31, 2011. The total bank balance as of the same date was \$685,895. Deposits with financial institutions are categorized as follows:

Amount insured by the FDIC	\$ 253,146
Uncollateralized	<u>432,749</u>
Total deposits with financial institutions	685,895
Cash on hand	<u>404</u>
<b>Total deposits and cash on hand</b>	<b><u>\$ 686,299</u></b>

Included in investments is a money market fund with Michigan Liquid Asset Fund Plus. The details at March 31, 2011 are as follows:

<u>Account Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard &amp; Poor's Rating</u>	<u>%</u>
(CIITMM) Money Market Series	\$ 504,036	0.0027	AAAm	100%
Total fair value	<u>\$ 504,036</u>			
Portfolio weighted average maturity		<u>0.0027</u>		

1 day maturity equals 0.0027, one year equals 1.00

All deposits categorized as uncollateralized are the property of the Township of Sebewaing.

The amount of uncollateralized deposits throughout the fiscal year did not significantly exceed the amount of uncollateralized deposits at March 31, 2011.

Michigan Compiled Laws Section 129.91 authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities issued or guaranteed by the Government National Mortgage Association; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Attorney General's Opinion Number 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan. The Township's deposits are in accordance with statutory authority.

## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

#### **NOTE 3 – DETAIL NOTES ON ALL FUNDS: (CONTINUED)**

A. The Township has authorized management to deposit and invest in the accounts of federally insured banks and savings and loan associations within the State of Michigan and bonds, securities and other obligations of the United States, or any agency of the United States in which the principal and interest is fully guaranteed by the United States. The Township's deposits and investments are within the authorization as set forth by the Township of Sebewaing. The Township's investment policy does not identify credit risk, custodial credit risk, concentration of credit risk, or interest rate risk.

B. Property taxes are levied based on the taxable value of property located in the Township. Assessed value is established annually and equalized by the State at an estimated 50% of current market value. A comparison of the assessed and taxable property values for the 2010 tax levy is as follows:

	<b><u>Assessed Value</u></b>	<b><u>Taxable Value</u></b>
Real property-Regular roll	\$ 86,255,000	\$ 72,643,609
Personal property-Regular roll	<u>7,927,400</u>	<u>7,927,400</u>
<b>Total</b>	<b><u>\$ 94,182,400</u></b>	<b><u>\$ 80,571,009</u></b>

C. The Township of Sebewaing has elected to be a reimbursing employer for purposes of unemployment insurance claims. The Township of Sebewaing reimburses the State of Michigan for all benefits charged.

#### **NOTE 4 - PENSION PLAN - DEFINED CONTRIBUTION:**

The Township of Sebewaing contributed to the Manulife Plan for Governmental Employees, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants benefits that may be allocated to such participant's account. As established by local ordinance, all elected officials, full-time library employees and ambulance service employees of the Township of Sebewaing must participate in the pension plan from the date they are officially elected or hired to their respective position. Contributions made by the Township of Sebewaing vest immediately. An employee who leaves the employment of the Township of Sebewaing is entitled to his or her contributions made by the Township of Sebewaing if vesting requirements are satisfied. No voluntary contributions are allowed and 100% of the contribution is made by the Township of Sebewaing. As determined by local ordinance, the Township of Sebewaing is required to contribute 7.5% of the employee's gross earnings to the pension plan.

## **TOWNSHIP OF SEBEWAING**

### **NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011**

#### **NOTE 4 – PENSION PLAN – DEFINED CONTRIBUTION: (CONTINUED)**

The Township of Sebewaing's total current year payroll was \$161,318 and the total current year covered payroll was \$124,605 which includes elected officials, full-time library employees, and ambulance service employees.

During the year, the Township of Sebewaing's actual contribution amounted to \$11,274 which was 7.5% of its current-year covered payroll less a credit from a cash account summary.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township of Sebewaing or its employees.

The Manulife Plan held no securities of the Township of Sebewaing or other related parties during the year or as of the close of the fiscal year ended March 31, 2011.

#### **NOTE 5 - RISK MANAGEMENT:**

The Township of Sebewaing, Huron County, Michigan participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool, for the coverage of significant losses due to its general liability. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$4,761,475 for real and personal property losses and \$5 million for liability losses. The Township of Sebewaing, Huron County, Michigan is required to pay annual premiums to the Michigan Municipal Liability and Property Pool for the liability coverage. No supplemental premium assessment is required by the Michigan Municipal Liability and Property Pool. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **Worker's Compensation:**

The Township of Sebewaing, Huron County, Michigan, participates in the Michigan Municipal Liability and Property Pool, which is a public entity risk pool for the coverage of losses related to worker's compensation claims. The participation in the pool constitutes transfer of the risk for significant losses to the pool with a coverage limit of \$500,000. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

#### **Medical Insurance:**

The Township of Sebewaing purchased commercial insurance coverage for medical insurance for the head librarian.

## TOWNSHIP OF SEBEWAING

### NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2011

#### NOTE 6 - INVESTMENT IN JOINT VENTURE:

Currently, the Township of Sebewaing has invested \$69,495 in the Sebewaing Harbor Commission. The Sebewaing Harbor Commission is being treated as a joint venture because the Township of Sebewaing shares equal financial and oversight responsibility with the Village of Sebewaing. The investment in the Sebewaing Harbor Commission is accounted for using the equity method of accounting. The following is a statement of net assets of the Sebewaing Harbor Commission:

	<b>March 31 2011</b>
<b>Assets:</b>	
<b>Current Assets</b>	
Cash	\$ 12,492
<b>Capital Assets</b>	
Land and equipment (Net of depreciation)	114,588
<b>Other Assets</b>	
Marina lease	75,100
Accumulated amortization	(30,919)
<b>Total Other Assets</b>	44,181
<b>Total Assets</b>	171,261
<b>Liabilities:</b>	
Accounts payable	942
Accrued payroll taxes	219
Due to Village of Sebewaing	31,210
Deferred revenue	221
<b>Total Liabilities</b>	32,592
<b>Net Assets</b>	
Investment in capital assets	114,588
Unrestricted	24,081
<b>Total Net Assets</b>	\$ 138,669

The Village of Sebewaing and the Township of Sebewaing, on an equal basis, formed the Sebewaing Harbor Commission to construct a marina. The Township and Village advanced funds to the Harbor Commission which was to be used for the purchase of land at the site of the marina.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**TOWNSHIP OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUE:</b>				
<b>Taxes:</b>				
Current property taxes	\$ 103,500	\$ 103,500	\$ 103,117	\$ (383)
<b>Total taxes</b>	<u>103,500</u>	<u>103,500</u>	<u>103,117</u>	<u>(383)</u>
<b>Intergovernmental:</b>				
State revenue sharing	<u>55,000</u>	<u>55,000</u>	<u>63,263</u>	<u>8,263</u>
<b>Interest and rentals:</b>				
Interest earned	4,000	4,000	425	(3,575)
Rent - Airport and hall	<u>4,500</u>	<u>4,500</u>	<u>4,525</u>	<u>25</u>
<b>Total interest and rentals</b>	<u>8,500</u>	<u>8,500</u>	<u>4,950</u>	<u>(3,550)</u>
<b>Miscellaneous:</b>				
Gasoline - Airport	2,000	2,000	6,097	4,097
Other revenue	<u>700</u>	<u>700</u>	<u>9,253</u>	<u>8,553</u>
<b>Total miscellaneous</b>	<u>2,700</u>	<u>2,700</u>	<u>15,350</u>	<u>12,650</u>
<b>TOTAL REVENUE</b>	<u>169,700</u>	<u>169,700</u>	<u>186,680</u>	<u>16,980</u>
<b>EXPENDITURES:</b>				
<b>Township board:</b>				
Salaries	4,200	4,200	3,092	1,109
Employee benefits	1,250	1,250	438	812
Meetings and education	4,000	4,000	900	3,100
Transportation	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
<b>Total township board</b>	<u>9,950</u>	<u>9,950</u>	<u>4,429</u>	<u>5,521</u>
<b>Supervisor:</b>				
Salaries	6,500	6,500	6,320	180
Employee benefits	1,200	1,233	1,295	(62)
Assessment roll preparation	3,500	3,500	3,096	404
Meetings and education	2,000	2,000	1,103	897
Professional fees	500	500	-	500
Transportation	800	800	282	518
Miscellaneous	<u>200</u>	<u>200</u>	<u>-</u>	<u>200</u>
<b>Total supervisor</b>	<u>14,700</u>	<u>14,733</u>	<u>12,096</u>	<u>2,637</u>

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>Elections:</b>				
Salaries	3,400	4,425	4,425	-
Office supplies	500	613	613	-
Printing and publishing	500	596	596	-
Repairs	1,000	1,000	41	959
Transportation	500	500	270	230
Miscellaneous	300	300	277	24
<b>Total elections</b>	<u>6,200</u>	<u>7,434</u>	<u>6,221</u>	<u>1,213</u>
<b>Clerk:</b>				
Salaries	10,500	10,500	9,469	1,031
Employee benefits	2,850	2,850	699	2,151
Dues and memberships	2,500	2,500	2,108	392
Insurance	22,000	22,000	13,472	8,528
Meetings and education	1,000	1,000	405	595
Office supplies	4,500	8,753	7,012	1,741
Printing and publishing	2,000	2,000	1,832	168
Professional fees	10,000	13,088	9,528	3,560
Repairs and maintenance	1,500	2,253	2,253	-
Telephone	4,200	4,200	4,699	(499)
Transportation	500	500	-	500
Miscellaneous	3,500	3,500	2,667	833
<b>Total clerk</b>	<u>65,050</u>	<u>73,144</u>	<u>54,143</u>	<u>19,001</u>
<b>Board of review and appeals:</b>				
Salaries	2,300	2,300	980	1,320
Employee benefits	200	200	-	200
Office supplies	50	50	-	50
Transportation	300	300	18	282
Education	250	250	-	250
Miscellaneous	300	300	39	261
<b>Total board of review and appeals</b>	<u>3,400</u>	<u>3,400</u>	<u>1,037</u>	<u>2,363</u>
<b>Treasurer:</b>				
Salaries	11,550	11,550	10,246	1,304
Employee benefits	1,050	1,050	933	117
Office supplies	2,500	2,500	110	2,390
Transportation	250	250	18	232
Education	1,000	1,000	78	922
Miscellaneous	1,000	1,234	1,234	-
<b>Total treasurer</b>	<u>17,350</u>	<u>17,584</u>	<u>12,619</u>	<u>4,965</u>
<b>Assessor:</b>				
Salaries	10,000	10,000	9,408	592
Miscellaneous	2,000	2,000	1,485	515
<b>Total assessor</b>	<u>12,000</u>	<u>12,000</u>	<u>10,893</u>	<u>1,107</u>

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>Buildings and grounds:</b>				
Operating supplies	1,000	1,000	1,392	(392)
Repairs and maintenance	2,500	2,614	4,110	(1,496)
Utilities	4,500	4,500	4,643	(143)
Miscellaneous	500	500	-	500
<b>Total buildings and grounds</b>	<u>8,500</u>	<u>8,614</u>	<u>10,145</u>	<u>(1,531)</u>
<b>Drains at large:</b>	<u>2,000</u>	<u>2,000</u>	<u>11,443</u>	<u>(9,443)</u>
<b>Planning and zoning:</b>				
Salaries	<u>1,000</u>	<u>1,000</u>	<u>1,342</u>	<u>(342)</u>
<b>Airport:</b>				
Gas and oil	6,000	11,813	11,813	-
Gas - mower	800	800	362	438
Insurance	6,000	6,000	4,248	1,752
Repairs and maintenance	3,500	6,803	5,937	866
Taxes - State sales	400	400	487	(87)
Telephone	500	500	148	352
Utilities	2,500	2,500	1,102	1,398
Miscellaneous	500	500	310	190
<b>Total airport</b>	<u>20,200</u>	<u>29,316</u>	<u>24,406</u>	<u>4,910</u>
<b>Capital outlay:</b>				
Clerk	7,500	7,500	1,799	5,701
Buildings and grounds	10,000	32,775	31,495	1,280
Airport	<u>2,000</u>	<u>24,267</u>	<u>17,586</u>	<u>6,681</u>
<b>Total capital outlay</b>	<u>19,500</u>	<u>64,542</u>	<u>50,880</u>	<u>13,662</u>
<b>TOTAL EXPENDITURES</b>	<u>179,850</u>	<u>243,717</u>	<u>199,655</u>	<u>44,061</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(10,150)</u>	<u>(74,017)</u>	<u>(12,975)</u>	<u>61,041</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Contribution to other governmental unit	-	-	(7,600)	(7,600)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	-	(7,600)	(7,600)
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(10,150)</u>	<u>(74,017)</u>	<u>(20,575)</u>	<u>53,441</u>
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	531,776	531,776	531,776	-
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$ 521,626</u>	<u>\$ 457,759</u>	<u>\$ 511,201</u>	<u>\$ 53,441</u>

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**EMERGENCY SERVICES FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUE:</b>				
Taxes:				
Current property taxes	\$ 84,400	\$ 84,400	\$ 80,773	\$ (3,627)
Intergovernmental:				
County grants	-	-	3,600	3,600
Charges for services	86,000	86,000	120,952	34,952
Interest earned	-	-	211	211
Miscellaneous revenue	1,000	1,000	-	(1,000)
<b>TOTAL REVENUE</b>	<u>171,400</u>	<u>171,400</u>	<u>205,536</u>	<u>34,136</u>
<b>EXPENDITURES:</b>				
<b>Buildings and grounds:</b>				
Operating supplies	500	500	-	500
Repairs and maintenance	4,000	4,000	480	3,520
Utilities	8,000	8,000	8,139	(139)
Miscellaneous	500	500	-	500
Capital outlay	5,000	5,000	1,137	3,863
<b>Total buildings and grounds</b>	<u>18,000</u>	<u>18,000</u>	<u>9,756</u>	<u>8,244</u>
<b>Ambulance:</b>				
Salaries	55,600	55,750	64,127	(8,377)
Employee benefits	3,500	6,047	5,918	129
Billing fee	12,000	12,000	12,965	(965)
Education and training	4,000	4,000	1,435	2,565
Insurance	7,000	7,000	8,730	(1,730)
Operating supplies	10,550	10,550	5,226	5,324
Professional fees	850	850	850	-
Repairs and maintenance	4,000	4,000	3,797	203
Telephone	3,000	3,000	3,154	(154)
Transportation	1,500	1,500	576	924
Miscellaneous	4,500	6,300	4,248	2,052
Capital outlay	6,000	6,000	3,879	2,121
<b>Total ambulance</b>	<u>112,500</u>	<u>116,997</u>	<u>114,904</u>	<u>2,093</u>

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**EMERGENCY SERVICES FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>Fire department:</b>				
Salaries	17,500	17,500	17,249	251
Employee benefits	3,500	3,500	3,001	499
Education and training	4,000	4,000	739	3,261
Insurance	15,000	15,000	14,172	828
Operating supplies	9,000	9,000	7,840	1,160
Professional fees	900	900	900	-
Repairs and maintenance	5,000	5,000	3,190	1,810
Telephone	850	925	1,044	(119)
Transportation	2,500	2,500	1,630	870
Miscellaneous	1,700	1,700	510	1,190
Capital outlay	6,000	6,524	2,148	4,376
<b>Total fire department</b>	<u>65,950</u>	<u>66,549</u>	<u>52,423</u>	<u>14,126</u>
<b>TOTAL EXPENDITURES</b>	<u>196,450</u>	<u>201,546</u>	<u>177,082</u>	<u>24,464</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(25,050)</u>	<u>(30,146)</u>	<u>28,454</u>	<u>58,600</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Contributions	-	-	25	25
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
<b>EXCESS OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)</b>	<u>(25,050)</u>	<u>(30,146)</u>	<u>28,479</u>	<u>58,625</u>
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	134,794	134,794	134,794	-
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$ 109,744</u>	<u>\$ 104,648</u>	<u>\$ 163,273</u>	<u>\$ 58,625</u>

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**LIBRARY FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUE:</b>				
Taxes:				
Current property taxes	\$ 39,400	\$ 39,400	\$ 39,606	\$ 206
Intergovernmental:				
State grant	1,500	1,500	2,213	713
Fines:				
Penal and book fines	12,000	12,000	13,931	1,931
Miscellaneous:				
Interest earnings	150	150	153	3
Contributions from private sources	10,100	10,100	8,880	(1,220)
Movie rentals	7,000	7,000	6,289	(711)
Apartment rentals	20,000	20,000	21,212	1,212
Other revenue	3,300	3,300	11,087	7,787
<b>TOTAL REVENUE</b>	<u>93,450</u>	<u>93,450</u>	<u>103,372</u>	<u>9,922</u>
<b>EXPENDITURES:</b>				
Salaries	40,200	40,200	40,864	(664)
Employee benefits	16,500	16,500	17,395	(895)
Books, magazines, and periodicals	10,000	10,000	10,074	(74)
Insurance	4,200	4,200	3,477	723
Miscellaneous	1,100	1,100	1,793	(693)
Office supplies	3,000	3,000	3,494	(494)
Professional fees	1,350	1,350	1,350	-
Rentals	7,100	7,100	8,847	(1,747)
Repairs and maintenance	1,000	1,000	337	663
Technology	1,300	1,300	792	508
Telephone	700	700	724	(24)
Transportation	500	500	286	214
Utilities	6,000	6,000	5,756	244
Capital outlay	500	500	1,831	(1,331)
<b>TOTAL EXPENDITURES</b>	<u>93,450</u>	<u>93,450</u>	<u>97,020</u>	<u>(3,570)</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>6,353</u>	<u>6,353</u>
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	58,812	58,812	58,812	-
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$ 58,812</u>	<u>\$ 58,812</u>	<u>\$ 65,165</u>	<u>\$ 6,353</u>

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**FIRE EQUIPMENT SINKING FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUE:</b>				
Taxes:				
Current property taxes	\$ 20,000	\$ 20,000	\$ 19,999	\$ (1)
Interest earned	-	-	370	370
<b>TOTAL REVENUE</b>	<u>20,000</u>	<u>20,000</u>	<u>20,369</u>	<u>369</u>
<b>EXPENDITURES:</b>				
Professional fees	300	300	300	-
<b>TOTAL EXPENDITURES</b>	<u>300</u>	<u>300</u>	<u>300</u>	<u>-</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	<u>19,700</u>	<u>19,700</u>	<u>20,069</u>	<u>369</u>
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	218,242	218,242	218,242	-
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$ 237,942</u>	<u>\$ 237,942</u>	<u>\$ 238,311</u>	<u>\$ 369</u>

**TOWNSHIP OF SEBEWAING, MICHIGAN**

**ROAD FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
<b>REVENUE:</b>				
Taxes:				
Current property taxes	\$ 241,300	\$ 241,300	\$ 241,979	\$     679
Interest earned	-	-	693	693
<b>TOTAL REVENUE</b>	<u>241,300</u>	<u>241,300</u>	<u>242,673</u>	<u>1,373</u>
<b>EXPENDITURES:</b>				
Professional fees	300	300	300	-
Road brining	7,000	7,000	6,369	631
Brush spraying	1,000	1,000	-	1,000
Contributions to other government units	256,700	256,700	315,592	(58,892)
<b>TOTAL EXPENDITURES</b>	<u>265,000</u>	<u>265,000</u>	<u>322,260</u>	<u>(57,260)</u>
<b>EXCESS OF REVENUE OVER (UNDER)</b>				
<b>EXPENDITURES</b>	<u>(23,700)</u>	<u>(23,700)</u>	<u>(79,588)</u>	<u>(55,888)</u>
<b>FUND BALANCE - BEGINNING OF THE YEAR</b>	337,057	337,057	337,057	-
<b>FUND BALANCE - END OF THE YEAR</b>	<u>\$313,357</u>	<u>\$313,357</u>	<u>\$257,469</u>	<u>\$ (55,888)</u>





Partners: Jeffrey P. Bushey, CPA Donald C. Faupel, CPA  
Consultant: Allan W. Nietzke, CPA  
Principals: Eugene R. Gascho, COO  
Brian V. Hazard, CPA JoAnn E. Lakie, CPA

Members of: Michigan Association of Certified Public Accountants • American Institute of Certified Public Accountants

*CPAs You Can Count On*

To the Board of Trustees  
Township of Sebewaing  
Sebewaing, Michigan

In planning and performing our audit of the financial statements of the governmental activities and each major fund of The Township of Sebewaing, as of and for the year ended March 31, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered The Township of Sebewaing's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Township of Sebewaing's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Sebewaing's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control. (2008-2, 2008-3, and 2008-4)

This communication is intended solely for the information and use of management, the Board of Sebewaing Township, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Nietzke & Faupel P.C.*

Nietzke & Faupel, PC  
Pigeon, Michigan

August 1, 2011

Circular 230 Disclosure: To the extent the above contains an opinion on one or more federal tax issues, such opinion was not written to be used and cannot be used for the purpose of avoiding penalties.

## SEBEWAING TOWNSHIP

### SCHEDULE OF FINDINGS FOR THE YEAR ENDED MARCH 31, 2011

#### SIGNIFICANT DEFICIENCIES:

##### 2008-2 Segregation of Duties

Condition: Due to the limited number of people employed at the Sebewaing Township Library, many critical duties are combined and given to the available employees. Presently, a single individual prepares and signs checks, reconciles bank accounts, as well as maintains the general ledger. Also, the same person responsible for cash disbursements is responsible for as well as posting to the general ledger.

Criteria: To the extent possible, duties should be segregated to serve as a check and balance on the employee's integrity and to maintain the best control system possible.

Effect: Employees who have both custodial and record keeping responsibilities for the same asset, creates a significant internal control weakness.

Recommendation: We suggest that the duties of cash disbursements and cash receipts are separated from the duties of the bank account reconciliation.

Response: We are aware of the situation, but due to the limited number of employees, we expect this to be ongoing in the future.

##### 2008-3 Preparation of Year End Closing Procedures

Condition: This year, as in the past, we assisted the accounting staff with the basic year-end bookkeeping and accounting procedures that are necessary to prepare the books for audit purposes. This also included the preparation of several material year end adjusting entries that were necessary to keep the financial statements from being materially misstated.

Criteria: The accounting staff should be able to perform the year end closing procedures and prepare the appropriate year end closing entries in order to ensure that the year end financial statements are not materially misstated. Also, the year end closing procedures should be supervised and reviewed by the Township Board with an adequate knowledge of the Township's activities during the fiscal year.

Recommendation: With adequate training, the accounting staff should become familiar with the necessary procedures to complete the year-end accounting. We suggest that the Sebewaing Township provide its accounting staff with the necessary training to ensure they are able to efficiently prepare the year-end accounting for the audit.

Response: We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

**SEBEWAING TOWNSHIP**  
**SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED MARCH 31, 2010**

**SIGNIFICANT DEFICIENCIES: (CONTINUED)**

2008-4      Preparation of the GAAP Basis Financial Statements

Condition: Along with assisting with the year end closing procedures to the Township's accounting records, we also assisted the Township by preparing the annual financial statements (including required disclosures) of the Township prepared in accordance with generally accepted accounting principles.

Criteria: The responsibility for the Township's annual financial statements prepared in accordance with generally accepted accounting principles rests with the management of the Township. Management is also responsible for the system of internal accounting controls used to ensure that the financial statements are not materially misstated.

Effect: This situation could allow the misstatement of the financial statements.

Recommendation: We recommend that the Township acquire the expertise necessary to prepare the annual financial statements including the required disclosures in accordance with generally accepted accounting principles.

Response: We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.

August 1, 2011

To the Township Board  
Township of Sebewaing  
Sebewaing, Michigan

We have audited the financial statements of the governmental activities and each major fund of The Township of Sebewaing for the year ended March 31, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 10 2010. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Township of Sebewaing are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2011. We noted no transactions entered into by the Township during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting The Township of Sebewaing's financial statements were the estimated capital asset lives for depreciation and estimated allowance for doubtful accounts.

Management estimates the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for doubtful accounts is based on the amount of accounts receivable that is believed to be potentially uncollectable. We evaluated the key factors and assumptions used to develop the estimate for the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 1, 2011

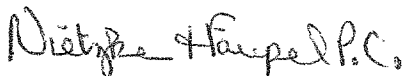
### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Township Board and management of The Township of Sebawaing and is not intended to be and should not be used by anyone other than these specified parties.



Nietzke & Faupel, PC  
Pigeon, Michigan